

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 EUR-12 ISO-00 SP-02 USIA-06 AID-05

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

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R 071430Z JUL 76

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 8626

INFO AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

LIMITED OFFICIAL USE KINSHASA 5728

E.O. 11652: N/A

TAGS: EFIN, CG

SUBJECT: GOZ PLANS FOR DEBT RESCHEDULING

REF: KINSHASA 5051

1. DURING COURSE OF JULY 6 MEETING AMBASSADOR INQUIRED OF CENTRAL BANK GOVERNOR SAMBWA AS TO GOZ PLANS SUBSEQUENT TO PARIS AGREEMENT FOR MAKING INTEREST PAYMENTS FOR OFFICIAL AND GUARANTEED DEBT AND ALSO AS TO GOZ PLANS FOR RESCHEDULING AGREEMENT WITH PRIVATE CREDITORS. SAMBWA REPLIED THAT GOZ WOULD USE RECENTLY ESTABLISHED ACCOUNT WITH FEDERAL RESERVE BANK OF NEW YORK TO MAKE MOST PRESSING OF INTEREST PAYMENTS COMING DUE. HE STATED THAT PRESIDENT MOBUTU HAD MADE DECISION THAT GOZ WAS NOT OBLIGATED TO MAKE PAYMENTS UNTIL CONCLUSION OF BILATERAL AGREEMENTS WITH EACH CREDITOR. HOWEVER, GOZ WILL CONTINUE TO MAKE PAYMENTS IN IMPORTANT INSTANCES IN ORDER TO CALM PRIVATE BANKS AND OTHERS.

2. GOVERNOR SAMBWA STATED THAT HE HAD REQUESTED KINSHASA

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CITIBANK MANAGER ANSELL TO CONTACT OTHER LEADING PRIVATE BANKERS

IN NEW YORK AND TO SUGGEST PROPOSAL CONCERNING MODALITIES FOR DEBT NEGOTIATIONS WITH PRIVATE BANKERS (SEE REFTTEL). SAMBWA STATED THAT HE HAD NOT YET RECEIVED REPLY FROM CITIBANK, ALTHOUGH HE HAD APPOINTMENT JULY 8 WITH ACTING CITIBANK MANAGER HORAH.

3. LATER SAME DAY EMBOFF RELAYED GIST OF GOVERNOR SAMBWA'S STATEMENT CONCERNING CITIBANK TO HORAH, WHO STATED THAT SAMBWA HAD NOT REQUESTED CITIBANK TO CONTACT OTHER BANKERS BUT MERELY TO SUGGEST PROCEDURE FOR A POSSIBLE RESCHEDULING OF PRIVATE COMMERCIAL BANK DEBT. HORAH PLANS TO GIVE FOLLOWING SUGGESTED PROPOSAL FROM CITIBANK TO GOVERNOR SAMBWA AT MEETING JULY 8.

QUOTE: A PROPOSED PROCEDURE FOR RESCHEDULING PRIVATE COMMERCIAL BANK DEBT

1. DATA COLLECTION

A. IDENTIFY DEBT BY: LENDERS AND BORROWERS

(1) LENDERS

(A) GOVERNMENTS

(B) INTERNATIONAL FINANCIAL INSTITUTIONS

(C) COMMERCIAL BANKS INDIVIDUALLY, AND SYNDICATES OF BANKS

(D) SUPPLIERS

(2) BORROWERS

(A) GOVERNMENT

(B) GOVERNMENT-OWNED ENTITIES

(C) NON-GOVERNMENTAL BORROWERS WITH GOVERNMENT OR CENTRAL BANK GUARANTEES

(D) NON-GOVERNMENTAL BORROWERS WITHOUT GUARANTEES

B. DISTINGUISH AMONG VARIOUS GUARANTEES INVOLVED

C. DISTINGUISH BETWEEN COMMITMENTS AND DRAWDOWNS OF DEBT

D. DISTINGUISH AMONG MATURITIES (PRINCIPAL AND INTEREST)

E. PROCEDURE FOR COLLECTING THE ABOVE DATA WILL PROBABLY REQUIRE SOME SORT OF CENSUS APPROACH, QUERYING ALL LIKELY CREDITORS AS WELL AS ALL LIKELY BORROWERS AND COMPARING THE RESULTS TO ELIMINATE DOUBLE COUNTING. PRIOR TO SUCH A CENSUS, OF COURSE, THERE WILL HAVE TO BE A THOROUGH IDENTIFICATION OF ALL LIKELY SOURCES OF RELEVANT INFORMATION--BOTH OFFICIAL AND UNOFFICIAL.

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2. DETERMINATION OF WHICH DEBTS ARE TO BE INCLUDED IN THE INTERGOVERNMENTAL DEBT RE-NEGOTIATIONS.

3. DETERMINATION OF WHAT RELIEF THE INTERGOVERNMENTAL RE-NEGOTIATIONS ARE LIKELY TO PROVIDE (NOTE: THIS IS NECESSARY BEFORE ONE CAN DETERMINE HOW MUCH RELIEF CONCERNING COMMERCIAL BANK DEBT SHOULD BE SOUGHT, -- OR EVEN WHETHER SUCH RELIEF WILL BE NEEDED AT ALL).

4. DETERMINATION OF THE COUNTRY'S BALANCE OF PAYMENTS OUTLOOK, WITH SPECIAL ATTENTION TO PROJECTIONS OF FOREIGN EXCHANGE INCOME, INCLUDING PRECISE IDENTIFICATION OF THE ASSUMPTIONS USED:

- A. SOURCES OF FOREIGN EXCHANGE
- B. COMPETING USES OF FOREIGN EXCHANGE
- C. NATURE OF FOREIGN EXCHANGE BUDGET EMBODYING PRIORITIES

5. ASSIGN TO SOMEONE THE RESPONSIBILITY FOR COORDINATING THE CENSUS OF DEBT TO COMMERCIAL BANKS. THIS PERSON WOULD SERVE AS A SPOKESMAN FOR ALL BORROWERS INVOLVED AND WOULD BE LINKED WITH ALL COMMERCIAL CREDITORS.

6. IF IT IS DECIDED THAT SOME FORM OF RESCHEDULING OR RESTRUCTURING IS NECESSARY, ARRANGE WITH THE CREDITORS FOR THEIR DESIGNATION OF SOMEONE (OR OF A COMMITTEE) TO NEGOTIATE ON THEIR BEHALF.

7. MEETINGS AMONG REPRESENTATIVES OF BOTH SIDES SHOULD THEN:

- A. CONSIDER THE ADVANTAGES AND DISADVANTAGES OF THE SEVERAL FORMS OF DEBT RELIEF WHICH MIGHT BE SOUGHT, INCLUDING RE-SCHEDULING, CONSOLIDATION, RE-FINANCING, ETC.
 - B. DESIGN A PROGRAM FOR HANDLING DEBTS TO COMMERCIAL BANKS WHICH AVOIDS ANY SEGREGATION OF FOREIGN EXCHANGE EARNINGS FROM ANY CLASS OF CREDITORS.
 - C. NEGOTIATE IF POSSIBLE, AN AGREEMENT ACCEPTABLE TO ALL PARTIES.
- END QUOTE.

4. HORAH STATED THAT IF SPECIFICALLY REQUESTED CITIBANK MIGHT AGREE TO ACT AS INTERMEDIARY WITH OTHER PRIVATE BANKS IN ATTEMPT TO ARRANGE PRIVATE DEBT RESCHEDULING, BUT ONLY IN RETURN FOR FEE APPROXIMATELY COMPARABLE TO ONE CHARGED FOR SYNDICATING A LARGE LOAN.

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5. COMMENT: GOVERNOR SAMBWA GAVE INDICATION THAT RESCHEDULING OR PRIVATE DEBT HAS NOT BEEN ACCORDED A VERY HIGH PRIORITY. THIS IMPRESSION WAS CONFIRMED BY FACT THAT HORAH STATED THAT IT HAD TAKEN MORE THAN TEN DAYS FOR HIM TO OBTAIN APPOINTMENT WITH SAMBWA IN ORDER TO CONVEY CITIBANK PROPOSAL. DURING MEETING WITH SAMBWA AMBASSADOR AGAIN STRESSED IMPORTANCE OF GOZ'S STAYING IN CLOSE TOUCH WITH PRIVATE BANKS.

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